

Message Text

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60

ACTION TRSE-00

INFO OCT-01 EUR-25 ADP-00 EB-11 L-03 COME-00 CIAE-00

INR-10 NSAE-00 RSC-01 RSR-01 /052 W

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R 111555Z JUL 73

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 3472

UNCLAS LUXEMBOURG 518

E.O. 11652: N/A

TAGS: EFIN, LU

SUBJECT: TAX CREDIT FOR INVESTMENT

REF: STATE 117793

1. BASIC PROVISION OF LUXEMBOURG LAW OF AUGUST 5, 1967 ALLOWING TAX CREDIT FOR NEW INVESTMENT WAS EXTENDED BY LAW OF APRIL 9, 1973. LEGISLATION WAS RETROACTIVE TO JANUARY 1, 1972. LEGISLATION WILL EXPIRE AT END OF 1974 BUT CAN BE EXTENDED BY GRAND DUCAL DECREE FOR 1975 AND 1976. AS ORIGINAL 1967 LEGISLATION WAS EXTENDED TO COVER 1970 AND 1971 BY LAW OF JULY 2, 1970, THERE WAS NO LAPSE IN ITS EFFECTIVENESS.

2. PRESENT LEGISLATION IS ALMOST EXACTLY THE SAME AS LEGISLATION IN EFFECT THROUGH 1971. BOTH LAWS PROVIDED FOR FISCAL CREDIT OF 3 PERCENT ON NEW INVESTMENT. NINE PERCENT ADDITIONAL TAX CREDIT IS AVAILABLE ON COMPLEMENTARY INVESTMENT WHICH IS DEFINED AS INVESTMENT IN EXISTING PLANTS. TAC CREDIT CAN BE TAKEN FOR FIVE-YEAR PERIOD FOLLOWING INVESTMENT. LAW DEFINES TYPE OF INVESTMENT EXPENDITURES WHICH QUALIFY FOR THIS CREDIT. EXPENDITURES FOR BUILDINGS DO NOT QUALIFY.

3. PRINCIPAL DIFFERENCE IS THAT NEW LEGISLATION PROVIDES AN ADDITIONAL 3 PERCENT TAX CREDIT FOR THE FIRST 2 MILLION FRANCS (\$60,000) WORTH OF INVESTMENT. THIS RELATIVELY SMALL

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LIMIT IS DESIGNED TO ASSIST SMALL LOCAL MIDDLE CLASS

INVESTMENT. THUS, UNDER PRESENT LEGISLATION FIRST TWO MILLION FRANCS OF ANY NEW INVESTMENT RECEIVES 6 PERCENT TAX CREDIT AND REMAINDER RECEIVES 3 PERCENT. FIRST TWO MILLION FRANCS OF COMPLEMENTARY INVESTMENT BENEFIT FROM 15 PERCENT TAX CREDIT AND REMAINDER FROM 12 PERCENT.

4. UNDER ARTICLE 32 PARAGRAPH 3 OF LUXEMBOURG'S FISCAL LAW OF DECEMBER 4, 1967 BASIC DEPRECIATION RATE UNDER "DOUBLE DECLINING BALANCE" IS LIMITED TO 20 PERCENT. HOWEVER, FOR INVESTMENT BENEFITTING FROM THE ABOVE DESCRIBED TAX CREDIT LINEAR DEPRECIATION METHODS MUST BE USED.

5. EMBASSY IS SENDING UNDER SEPARATE COVER TEXTS OF APRIL 9, 1973 AND DECEMBER 4, 1967 LAWS. FARKAS

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
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Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Unique ID: 00
Drafter: n/a
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TAGS: EFIN, LU
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